

TAB

October 7, 1969

CONGRESSIONAL RECORD—HOUSE

115103

Strike out all after the enacting clause and insert: That this Act may be cited as the "Civil Service Retirement Amendments of 1969".

TITLE I—CIVIL SERVICE RETIREMENT FINANCING

Sec. 101. Section 8331 of title 5, United States Code, is amended—

(1) by striking out "and" at the end of paragraph (15);

(2) by striking out the period at the end of paragraph (16) and inserting a semicolon in lieu thereof; and

(3) by adding immediately below paragraph (16) the following new paragraphs:

"(17) 'normal cost' means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

"(18) 'Fund balance' means the sum of—

"(A) the investments of the Fund calculated at par value; and

"(B) the cash balance of the Fund on the books of the Treasury; and

"(19) 'unfunded liability' means the estimated excess of the present value of all benefits payable from the Fund to employees and Members and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

"(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

"(B) the present value of Government payments to the Fund under section 8348 (f) of this title; plus

"(C) the Fund balance as of the date the unfunded liability is determined."

Sec. 102. (a) Section 8334 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a) (1) The employing agency shall deduct and withhold 7 percent of the basic pay of an employee, 7½ percent of the basic pay of a Congressional employee, and 8 percent of the basic pay of a Member. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

"(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member also shall be credited to the Fund;" and

(2) by amending subsection (c) to read as follows:

"(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

"Percentage of basic pay:

Employee:	Service period
2½-----	August 1, 1920, to June 30, 1926.
3½-----	July 1, 1926, to June 30, 1942.
5-----	July 1, 1942, to June 30, 1948.
6-----	July 1, 1948, to October 31, 1956.
6½-----	November 1, 1956, to December 31, 1969.
7-----	After December 31, 1969.

Member or employee for congressional employee service:

2½----- August 1, 1920, to June 30, 1926.

3½----- July 1, 1926, to June 30, 1942.

5----- July 1, 1942, to June 30, 1948.

6----- July 1, 1948, to October 31, 1956.

6½----- November 1, 1956, to December 31, 1969.

7½----- After December 31, 1969.

Member for Member service:

2½----- August 1, 1920, to June 30, 1926.

3½----- July 1, 1926, to June 30, 1942.

5----- July 1, 1942, to August 1, 1946.

6----- August 2, 1946, to October 31, 1956.

7½----- November 1, 1956, to December 31, 1969.

8----- After December 31, 1969.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332 (b) (6) of this title performed before January 1, 1969, shall be an amount equal to 55 percent of a deposit computed in accordance with such provisions."

(b) The amendment made by subsection (a) (1) of this section shall become effective at the beginning of the first applicable pay period beginning after December 31, 1969.

Sec. 103. (a) Section 8348 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for the payment of—

"(A) benefits as provided by this subchapter; and

"(B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title; and

"(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes;" and

(2) by striking out subsections (f) and (g) and inserting in lieu thereof:

"(f) Any statute which authorizes—

"(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;

"(2) extension of the coverage of this subchapter to new groups of employees; or

"(3) increases in pay on which benefits are computed;

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in 30 equal annual installments with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of coverage, or increase in pay is effective.

"(g) At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year which the Commission estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection."

cent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection."

(b) (1) The provisions of subsection (g) of section 8348 of title 5, United States Code, as contained in the amendment made by subsection (a) (2) of this section, shall become effective at the beginning of the fiscal year which ends on June 30, 1971.

(2) Paragraph (1) of this subsection shall not be held or considered to continue in effect after the enactment of this Act the provisions of section 8348 (g) of title 5, United States Code, as in effect immediately prior to such enactment.

Sec. 104. Section 1308 (c) of title 5, United States Code, is amended by striking out "on a normal cost plus interest basis".

Sec. 105. The proviso under the heading "Civil Service Commission" and under the subheading "Payment to Civil Service Retirement and Disability Fund" in title I of the Independent Offices Appropriation Act, 1962 (75 Stat. 345; Public Law 87-141), is repealed.

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

Sec. 201. (a) Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended to read as follows:

"(A) over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the total service; or".

(b) Subsection (c) of section 8333 of title 5, United States Code, is amended to read as follows:

"(c) A Member or his survivor is eligible for an annuity under this subchapter only if the amounts named by section 8334 of title 5 have been deducted or deposited with respect to his last five years of civilian service, or, in the case of a survivor annuity under section 8341 (d) or (e) (1) of this chapter, with respect to his total service."

Sec. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding the following new paragraph immediately below paragraph (4):

"(5) days of unused sick leave credited under section 8339 (m) of this title."

Sec. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years;"

(2) by amending subsection (c) (2) to read as follows:

"(2) his Congressional employee service;"

(3) by striking out the last full sentence of subsection (f);

(4) by striking out "(excluding any increase because of retirement under section 8337 of this title)" in subsection (1); and

(5) by adding at the end thereof the following new subsection:

"(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or creditable service for purposes of this subchapter."

Sec. 204. (a) Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by".

(b) Subsection (c) (2) of such section is amended to read as follows:

"(2) For the purpose of computing the annuity of a child under section 8341(e) of this title that commences on or after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section on or after such day and, in case of a deceased annuitant, the items 60 percent and 75 percent appearing in section 8341(e) of this title shall be increased by the total percent allowed and in force to the annuitant under this section on or after such day."

Sec. 205. The provisions of subsection (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise finally separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was receiving annuity from the Civil Service Retirement and Disability Fund;

except that no annuity shall be paid by reason of this section for any period prior to the enactment of this section. No annuity shall be terminated solely by reason of the enactment of this section. Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

(2) such annuity was terminated by law because of that remarriage;

then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage.

Sec. 206. (a) The first sentence of subsection (d) of section 8341 of title 5, United States Code, is amended to read as follows: "If an employee of Member dies after completing at least 18 months of civilian service, the widow or dependent widower of the employee or Member is entitled to an annuity equal to 55 percent of an annuity computed under section 8339 (a)-(e) and (h) of this title as may apply with respect to the employee or Member, except that in the computation of the annuity under such section, the annuity of the employee or Member shall be at least the smaller of (i) 40 percent of his average pay, or (ii) the sum obtained under such section after increasing his service of the type last performed by the period elapsing between the date of death and the date he would have become 60 years of age."

(b) Subsection (e) (1) of such section is amended to read as follows:

"(e) (1) If an employee or Member dies after completing at least 18 months of civilian service, or an employee or Member dies after retiring under this subchapter, and is survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(A) 60 percent of the average pay of the employee or Member divided by the number of children;

"(B) \$900; or

"(C) \$2,700 divided by the number of children; subject to section 8340 of this title. If the employee or Member is not survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(i) 75 percent of the average pay of the employee or Member divided by the number of children;

"(ii) \$1,080; or

"(iii) \$3,240 divided by the number of children; subject to section 8340 of this title."

Sec. 207. (a) The amendments made by sections 201, 202, 203, and 206(a) of this Act shall not apply in the cases of persons retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted.

(b) The amendments made by section 204(a) of this Act to section 8340 of title 5, United States Code, shall apply only to annuity increases which become effective under such section 8340 after the date of enactment of this Act.

(c) (1) The amendment made by section 206(b) of this Act shall become effective on the first day of the first month which begins on or after the date of enactment of this Act.

(2) The annuity of each surviving child who, immediately prior to the effective date of such amendment is receiving an annuity under section 8341(e) of title 5, United States Code, or under a comparable provision of any prior law, or who hereafter becomes entitled to receive annuity under the Act of May 29, 1930, as amended from and after February 28, 1948, shall be recomputed effective on such date, or computed from commencing date if later, in accordance with such amendment. No increase allowed and in force prior to such date shall be included in the computation or recomputation of any such annuity. This paragraph shall not operate to reduce any annuity.

Mr. DANIELS of New Jersey (during the reading). Mr. Speaker, I ask unanimous consent that the further reading of the Senate amendment be dispensed with and that it be printed in the Record.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey (Mr. DANIELS)?

Mr. GROSS. Mr. Speaker, reserving the right to object, and I do so in order that we may have an explanation of the action of the other body with respect to this legislation and to ask a few questions of the gentleman from New Jersey.

Particularly, Mr. Speaker, I would like to know what additional benefits the other body put into this bill and whether the costs of the additional benefits are covered?

Mr. DANIELS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield to the gentleman.

Mr. DANIELS of New Jersey. I shall be happy to explain.

The Senate amended the House bill, H.R. 9825, by striking all language following the enacting clause and inserting the language of S. 2754, as amended.

The Senate amendment retains all of the provisions of the House-passed bill, except minor technical and perfecting changes. Exclusive of the liberalized sur-

ment, the only substantive change in the House-passed version is with respect to the rate of contribution applicable to Members of Congress. The House version continues the Members' contribution rate at the present 7.5 percent whereas the Senate version raises it to 8 percent—no attempt being made in the Senate to retain the rate of 7.5 percent.

The Senate amendment made changes in other respects, as to costs of crediting military service, surviving spouses' benefits, and surviving children's benefits.

With respect to costs, the total contributions will amount to 14 percent, and under the Senate-passed amendments the normal costs will come to 13.98 percent, leaving a surplus of 0.02 percent.

Under the present cost operating system, normal costs come to 13.86 percent and, by virtue of the change made by the State, the normal cost will be reduced by 0.22 percent so that the new normal cost of present benefits comes to 13.64 percent.

However, the House provisions would add thirteen one-hundredths of 1 percent and, by virtue of the liberalized benefits added by the Senate, which amount to twenty-one one-hundredths of 1 percent, we arrive at a total new normal cost of 13.88 percent of payroll, which is 0.01 percent under the House-passed bill.

The Senate amendment to title I provides that the cost of crediting military service be financed by annual transfers from the Treasury, out of money not otherwise appropriated, to the retirement fund in the same manner as it is proposed to finance the interest on the existing unfunded liability. Ten percent of such costs would begin to be paid starting in 1971, increasing by an additional 10 percent each year until, in 1980 and thereafter, the total costs would be funded by direct transfer. These payments would begin at about \$10 million, rise proportionately over the next 20 years, and peak at approximately \$300 million. Thereafter, these costs will gradually decline to a relatively negligible amount since military service performed after 1956 will, generally, be creditable under the social security system. By so funding, the normal cost of the benefit structure of the civil service retirement system will be reduced by 0.22 percent of payroll, reducing present normal cost from 13.86 percent to 13.64 percent. It will also result in reducing the system's unfunded liability by \$4.7 billion.

Under existing law an employee who retires on disability—after completing at least 5 years of service—is guaranteed a minimum benefit of the smaller of (A) 40 percent of the average salary or (B) the rate obtained under the general formula after increasing the actual service by the time remaining between the date of disability retirement and the attainment of age 60, if either (A) or (B) produces a greater rate than is earned by virtue of his actual service. However, the law stipulates that such guaranteed rate is payable only to the disabled employee, and is not applicable in determining the survivor rate. Her benefit is 55 percent of only this earned rate.